

REMOVAL OF MANY PAY PHONES POSES PROBLEMS FOR SMALL-TOWN RESIDENTS

ECONOMICS: COMPANIES BLAME COMPETITION FROM CELL PHONES AND 800 NUMBERS. BUT SOME PEOPLE SAY THE SERVICE IS THEIR LIFELINE.

January 22, 2001
By Bettina Boxall
Times Staff Writer

The pay phone in Goodyears Bar, population 100, is gone. So is the one in Gazelle, population 400, and the one at the public school in pint-sized Pike.

The ubiquitous pay phone is disappearing from lonely outposts and city street corners throughout the state, the victim of cellular phone competition and other economic pressures.

In the last year, companies yanked out about 1,000 pay phones a month in California. No one is predicting that coin box phones will vanish from the landscape, but their declining numbers are stirring outcries in rural settlements and urban neighborhoods alike.

The loss is particularly painful in the back country, where cell phones may not work and some residents may not have a phone line to their house.

It doesn't sound really serious when you say, 'Take a pay phone out here and there,' if you live in a city," said Siskiyou County Supervisor Bill Hoy. "But when you take one out of a community and it's 10, 20 miles or 100 miles to the next pay phone, it's different."

Since Gazelle, a farm and ranch community about 20 miles from Mt. Shasta, lost its lone pay phone last fall, Postmaster Barry Thomsen has had to come to the rescue of a local woman with pneumonia and a man who ran out of kerosene to heat his trailer.

They both asked him to phone for help, which he did.

"I just wonder, if there's a real emergency when I'm not open, what people do," Thomsen said. Sure, they can go to a house, he said, but "if [the residents] don't know you and it's dark, some of these people are not going to be eager to open their door."

Thomsen is crossing his fingers that the nearest pay phone, nine miles away, doesn't get carted off as well.

Over in Goodyears Bar in scantily populated Sierra County, Cheryl Morse tried without success to get Pacific Bell to reinstall the public phone that was removed in late 1999 from the spot where it had stood for at least two decades, next to an old one-room schoolhouse.

"Tragedies happen, and we need that phone booth there. It's that simple," she said.

Cell phones don't work in the little enclave, next to a fork of the Yuba River popular with rafters. "It's just scary that there is no phone there now for any kind of emergency," Morse said. "That river is used a lot."

Pacific Bell is in the process of taking out about 22,000 of the 140,000 pay phones it owns in California. Other companies are pulling out some of their public phones.

There are now 258,658 pay phones in California, compared with 270,000 a year ago, according to the state Public Utilities Commission.

Pay phone owners say the shrinking numbers are a simple product of economics.

The cell phone explosion has stolen customers, and the growing use of 800

numbers and debit cards has made it harder for pay phone companies to collect fees from carriers.

Changes in federal regulations in 1996 also barred phone companies from subsidizing their pay phone divisions with revenue from other parts of their operation.

All that means that unprofitable pay phones are under scrutiny as never before.

"I think there's a lot of phone removal to come," said Thomas Keane, president of the California Pay Phone Assn. and chief executive of Pacific Coin, which owns pay phones in California, Arizona and Nevada.

The trend is evident across the country.

Vince Sandusky, president of the American Public Communications Council, which represents the pay phone industry, estimated that the number of pay phones peaked nationally in 1998 at 2.6 million. That figure has since fallen by more than 400,000.

Martin Garrick, who owns a small pay phone company in San Diego, goes so far as to characterize his industry as "a buggy whip business" on the wane because of market and technology forces.

"Having a pay phone that someone has to clean and repair every month when that's no longer subsidized is no longer feasible," he said.

Pacific Bell media relations director John Britton and other phone industry representatives pointed out that California does have a fund that will subsidize public phones if they are deemed necessary for public health

and safety.

The PUC said a number of applications to the fund are pending, but there are now only 75 such phones in the state.

And if a store owner or community really feels a pay phone is necessary, Garrick said, they can install their own for \$1,500 to \$2,000 and then pay monthly line fees of \$30 to \$50.

Indeed, Britton said that after Pacific Bell removed pay phones from campuses in a Bay Area school district, officials decided to lease seven phones to get them back on school grounds.

That's unlikely to happen at Pliocene Ridge Schools in the Sierra County hamlet of Pike.

"Ha ha," responded special education teacher Rayette Ringle when asked whether the school might replace the phone removed by Pacific Bell last year.

The 100 or so students at the small school, kindergarten through 12th grade, greatly miss the pay phone, she said. "It makes you feel like you're connected. It was scary to see it ripped out."

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PAY PHONE DECLINE HURTS THOSE IN NEED

January 7, 2001

By John Bankston
Staff Writer

Travis Burke, a public communications technician with BellSouth, repairs a pay phone in the West Town Plaza shopping center on Washington Road. CHRIS THELEN/STAFF

In the age of cell phones and wireless connections, 5.7 million American households still lack residential phone service.

For these families, pay phones aren't a luxury - they're a necessity.

Last year alone, Georgia lost 1,700 pay phones. There were about 2.6 million pay phones in America in 1998; that number shrank to nearly 2.1 million in 2000.

The decrease coincides with the increasing popularity and affordability of wireless telephones.

But the American Public Communications Council, a lobbying group for independent pay phone companies, says local phone companies and long-distance providers have accelerated the decline by not adequately reimbursing pay phone providers under federal regulations.

The organization says pay phone disconnection has a disproportionately negative impact on poor and minority households - people who are most likely to not have residential phone service.

APCC President Vince Sandusky said local phone companies overcharge independents for connections, and long-distance companies do not fully compensate

them for some types of pay phone calls.

The decrease in the number of pay phones coincides with the increasing popularity and affordability of wireless telephones. STAFF

"They're getting squeezed from both sides," Mr. Sandusky said. "It makes a huge impact on whether it's economical to keep a phone in place."

Both the overcharging and the undercompensation are contrary to the spirit of the Telecommunications Act of 1996, which was designed to open local phone service to competition.

Telecom Act problems

Independent pay phone service providers pay a monthly fee to local phone companies, such as BellSouth, for a dial tone. The Telecom Act requires local phone companies to provide the hookup at near-cost so local companies can't use their monopoly pricing power to squelch competition.

"Unfortunately, the Feds never issued clear guidelines as to what 'cost' means - it was left up to the states to decide," Mr. Sandusky said.

Some phone companies use this interpretive freedom to set high costs with generous profits built in, Mr. Sandusky said.

BellSouth charges independents in Georgia \$33.80, which is the true cost of providing service to any customer, BellSouth spokesman Joe Chandler said.

However, he pointed out, residential customers pay less and business customers pay more.

"We charge less than \$18.50 for residential phone service," he said. "We charge businesses well above \$33. Historically, business has always subsidized residential phone service."

Demographics of cellular phone ownership

Category/ Percent of People Owning Cellular Phones

Household Income over \$75K/53 percent

\$10,000-20,000/ 13 percent

Less than \$5,000/ 8 percent

Urban/ 32 percent

Suburban/ 54 percent

Rural/ 14 percent

Mr. Chandler said BellSouth's rate for pay phone companies was \$46 a month. The new lower rate took effect July 1, 1999, after negotiations with the Georgia Public Communications Association, a state association of independent pay phone providers.

But the APCC said the fee should be no more than \$20, well below the \$55-\$60 that the average independent pay phone provider pays in the United States.

"The fight federally is to get the FCC to issue clear guidelines," Mr. Sandusky said. "For the most part, the phone companies are on one side and we're on the other."

The Telecom Act also requires independent pay phone service providers to be compensated 24 cents for each "dial-around" call, which is a call made through a service such as 1-800-COLLECT and 10-10-220, in addition to toll-free 800 numbers.

Yet the APCC says independents go unpaid on 35 percent of dial-around calls because large long-distance companies, such as AT&T and MCI WorldCom, have not been held responsible for the second- and third-tier companies they allow to use their networks.

The smaller companies, which buy the larger company's excess network capacity at wholesale prices, are the last link in the chain and are theoretically responsible for compensating the independent pay phone companies under Federal Communications Commission rules.

The trouble is, the large phone companies do not disclose, for proprietary reasons, their wholesale customers. Pay phone companies have no way of knowing which calls were wholesale, and to whom.

In the heady world of independent pay phone telecommunications, payment for services rendered hinges on the honor system.

"The system itself is the problem," Mr. Sandusky said. "Essentially, you get paid by those who recognize their obligations; you don't get paid by those who don't."

He estimates uncompensated pay phone calls cost independents \$300 million per year.

The American Public Communications Council is lobbying the FCC to revise its regulations to require the first link in the chain be responsible for compensation.

"That's the only way it's able to be audited," Mr. Sandusky said.

Creating a social issue

According to the U.S. Census Bureau's March 2000 survey, 95 percent of American households have telephones. For families with incomes below \$10,000, that number drops to

88 percent. For families with incomes below \$5,000, it drops to 80 percent.

The trend continues in minority households: 95 percent of white households have telephones; 90 percent of black and Hispanic households do.

Poor minorities fare even worse. Just 71 percent of black families earning less than \$5,000 per year have a telephone; 81 percent of poor whites do.

A sampling of independent [pay telephones] disconnected between January 1998 and July 2000 in Illinois, Maryland, Michigan and South Carolina shows the percentage of disconnected pay phones in ZIP codes with high percentages of poor and minority households is significantly high.

"It breaks down on racial and income levels," Mr. Sandusky said. "Pay phones are disappearing in economically disadvantaged neighborhoods and minority neighborhoods, where they're clearly needed the most. Many households depend on pay phones because they don't have a phone in the home."

ZIP codes with a high minority percentage in Maryland and Michigan have experienced about double the proportion of disconnected pay phones compared with the states' populations.

The proportion of disconnected pay phones in the low income and minority ZIP codes of Illinois and South Carolina are also greater than those of the states' populations.

In order to get the FCC to change its regulations, Mr. Sandusky said he plans to stress the situation's social aspects.

"There's no appetite for the FCC to continue the battle, and the carrier community would dispute some of this stuff," Mr. Sandusky said. "Some carriers say the system is not broken; some say it is. Pay phone service providers want to see a change. Perhaps by stressing the social elements, we will see some action."

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Hot Sites
Lottery
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Autos
►Joyrides
Business
Careers
Columnists
Commuting
Detroit History
Editorials
Health
Metro/State
►Livingston
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►Wayne
►On Detroit
Nation/World
Obituaries
►Death Notices
Politics
Real Estate
Religion
Schools
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►Lions/NFL
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►Red Wings/NHL
►Shock/WNBA
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►MSU
►U-M
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Golf
High Schools
Motor Sports
More Sports
Scoreboards

Pay phones becoming extinct?

Cellular, prepaid cards cutting into service many use

By Kim Kozlowski / The Detroit News

DETROIT -- Debra Jacobs was waiting for the next bus to take her home earlier this week when she realized she was running late.

So Jacobs, 33, reached into her pocket for some coins and turned to a nearby pay telephone -- her lifeline for connecting with family, friends and her children's teachers.

"I don't have a phone at home so I use pay phones every day," said Jacobs, a Detroit resident. "I don't know what I would do without them."

As cell phone ownership explodes and prepaid phone cards gain popularity, the trusty pay phone is suffering from neglect and being removed, often from areas that need them the most.

Over the past two years, 300,000 to 400,000 pay phones across the country have been removed from mostly urban and rural areas because they are no longer making money.

Michigan's estimated 100,000 pay phones have dwindled by about 10 percent in recent years, leaving empty shells as a reminder of a 20th-century icon quietly becoming less of a necessity than in the past.

But don't call pay phones dinosaurs just yet.

Though more than 100 million people own cell phones, there are still 2.5 million pay phones on the streets, providing salvation for runaways, victims of domestic violence and the 5.7 million people who don't have phones in their home.

"Pay phones are not relics and they are



David Guralnick / The Detroit News

Debra Jacobs, 33, of Detroit uses pay phones because she doesn't have a home line. "I don't know what I would do without (pay phones)," she said.

Facts about pay phones

Think pay telephones are a relic of the past? Think again.

* For millions of Americans, the pay phone is the only phone, and a vital link to the outside world.

* Pay phones provide an important public service for victims of domestic violence, runaways, substance abusers, and health information with 24-hour-per-day access to toll-free hotlines.

* Pay phone technology is evolving with Internet kiosks, video phones and other products that will put modern telecommunications technology in the hands of consumers who can't have it any other way.

Source: The American Public Communications Council.

Cell phone use

Cell phones are one of the reasons pay phones are becoming less necessary for millions of Americans. Southeast Michigan leads the nation in the percentage of people who own cell phones, according to Scarborough Research in New York.

* 64 percent, or 2.4 million adults 18 and

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 2000).

not becoming extinct," said Vince Sandusky, president of the American Public Communications Council Inc. "But the industry is under considerable pressure because of wireless technologies and other ways to communicate."

The American Public Communications Council recently asked its members, independent pay phone providers, to take a random survey detailing the number of pay phones they have removed.

Though the response was minimal, the data showed that often pay phones were being removed from urban and rural areas.

"We do think the disadvantaged areas are the ones most likely to suffer from pay phone loss," Sandusky said. He said people living in those areas likely can't afford a cell phone.

Since cell phones have come on the market and become more affordable, they have transformed our society. Nowadays, it is not unusual to hear cell phones ringing in restaurants and theaters or see people talking on them when they are hiking in the woods or driving their car.

Southeastern Michigan especially loves cell phones: It leads the nation in the percentage of people who own cell phones. According to a study last month by New York-based Scarborough Research, 64 percent of adults in the region own a cell phone, beating out other large cities such as Chicago, New York and San Francisco.

But the popularity of cell phones isn't the only reason that pay telephones are suffering a blow.

More people are buying prepaid calling cards or using their own calling cards to make calls at pay telephones and not depositing coins into the phone.

Long-distance companies are supposed to reimburse pay phone owners for these calls, but not all of them are doing so, according to the American Public Communications Council. As a result, pay telephone providers have lost millions of dollars in revenue.

In addition, independent pay telephone providers claim owners of the telephone lines are overcharging them.

Bart Lewin, executive director of the Michigan Pay Telephone Association, called the fee "exorbitant" in Michigan.

"Removal of pay phones has always occurred," Lewin said. "There's greater challenges in the industry today than there was a few years ago."

The viability of pay telephones may depend on pay phone operators finding alternative sources of funding, such as installing equipment to offer Internet access. But such innovations are in their infancy.

Pay telephones have been around since the 1889 and are credited to William Gray, who desperately needed a phone while he was away from home but couldn't find one. Since then, one only has to look every few blocks to see the familiar blue pay telephone sign.

John Ford found one the other day when he received a page from a friend while

64 percent, or 2.4 million adults 16 and over, own a cell phone in the counties of Wayne, Macomb, Oakland, Livingston, Monroe, St. Clair, Lapeer, Sanilac and Washtenaw.

* Detroit also ranked No. 1 in 1998.

* Other high cell phone ownership rates were in the regions of Chicago, Baltimore, Charlotte, N.C., and Atlanta.



David Coates / The Detroit News

Calvin Bowman of Dayton, Ohio, uses a laptop computer to hook up to the Internet via pay phone at the airport.

driving through Detroit. Though he owns a cell phone, he still found a pay phone across the street from Belle Isle to call his friend and chat with him for several minutes. Why? Because it was cheaper than using his wireless.

"As long as it's on the way," Ford said, "it's no problem."

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